

## AUDIT SUMMARY

This report contains the results of our audit of the [Department of Conservation and Recreation](#), [Virginia State Parks Foundation](#), [Chippokes Plantation Farm Foundation](#), [Virginia Outdoors Foundation](#), and [Virginia Conservation and Recreation Foundation](#) for the year ended June 30, 1998.

We found:

- proper recording and reporting of transactions, in all material respects, in the Commonwealth Accounting and Reporting System;
- internal control matters that we consider reportable conditions, but not material weaknesses;
- no material instances of noncompliance with applicable laws and regulations tested that are required to be reported; and
- adequate implementation of corrective action on prior audit findings, except as noted in the finding entitled “Strengthen Controls Over Petty Cash and Charge Cards.”

We recommend:

1. the Department develop a concise strategic plan for the development and implementation of the Revenue Information Management System;
2. the Department properly manage concessionaire revenue contracts;
3. the Department strengthen internal controls over petty cash and small purchase charge cards; and
4. the Virginia State Parks Foundation accurately record and report financial information.

April 30, 1999

The Honorable James S. Gilmore, III  
Governor of Virginia  
State Capitol  
Richmond, Virginia

The Honorable Richard J. Holland  
Chairman, Joint Legislative Audit  
and Review Commission  
General Assembly Building  
Richmond, Virginia

### INDEPENDENT AUDITOR'S REPORT

We have audited the financial records and operations of the **Department of Conservation and Recreation**, including Virginia State Parks Foundation, Chippokes Plantation Farm Foundation, Virginia Outdoors Foundation, and Virginia Conservation and Recreation Foundation, for the year ended June 30, 1998. We conducted our audit in accordance with standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

#### Audit Objective, Scope, and Methodology

Our audit's primary objectives were to review the agencies' accuracy of recording financial transactions, adequacy of their internal control structures, and compliance with applicable laws and regulations. We also determined the status of audit findings from prior year reports.

Our audit procedures included inquiries of appropriate personnel, inspection of documents and records, and observation of the agencies' operations. We also tested transactions and performed such other auditing procedures, as we considered necessary to achieve our objectives. We reviewed the overall internal accounting controls, including controls for administering compliance with applicable laws and regulations, over the following significant cycles, classes of transactions, and account balances.

Revenues and Cash Receipts  
Expenses  
Capital Outlay

Grants Management  
Cash and Investments

We obtained an understanding of the relevant policies and procedures for these internal accounting controls. We considered materiality and control risk in determining the nature and extent of our audit procedures. We performed audit tests to determine whether the agencies' policies and procedures were adequate, had been placed in operation, and were being followed. Our audit also included tests of compliance with provisions of applicable laws and regulations.

Management has responsibility for establishing and maintaining an internal control structure and complying with applicable laws and regulations. The objectives of an internal control structure are to provide reasonable, but not absolute, assurance that assets are safeguarded and that transactions are processed in accordance with management's authorization, properly recorded, and comply with applicable laws and regulations.

Our audit was more limited than would be necessary to provide an opinion on the internal control structure or on overall compliance with laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or noncompliance may nevertheless occur and not be detected. Also, projecting the evaluation of the internal control structure to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

#### Audit Conclusions

We found that the Department of Conservation and Recreation, the Virginia State Parks Foundation, the Chippokes Plantation Farm Foundation, the Virginia Outdoors Foundation, and the Virginia Conservation and Recreation Foundation properly stated, in all material respects, the amounts recorded and reported in the Commonwealth Accounting and Reporting System (CARS). The agencies record their financial transactions on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. The financial information presented in this report came directly from each agency's financial records and CARS.

We noted certain matters involving the internal control structure and its operation that we considered to be reportable conditions for the Department of Conservation and Recreation and the Virginia State Parks Foundation. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the agencies' ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial records. These reportable conditions are discussed in the sections entitled "Selected Agency Information" and "The Foundations." We believe none of the reportable conditions are material weaknesses.

The results of our tests of compliance disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards.

The agencies have taken adequate corrective action with respect to audit findings reported in the prior year except as noted in the finding entitled "Strengthen Controls over Petty Cash and Charge Cards."

#### EXIT CONFERENCE

We discussed this report with management at an exit conference held on May 26, 1999.

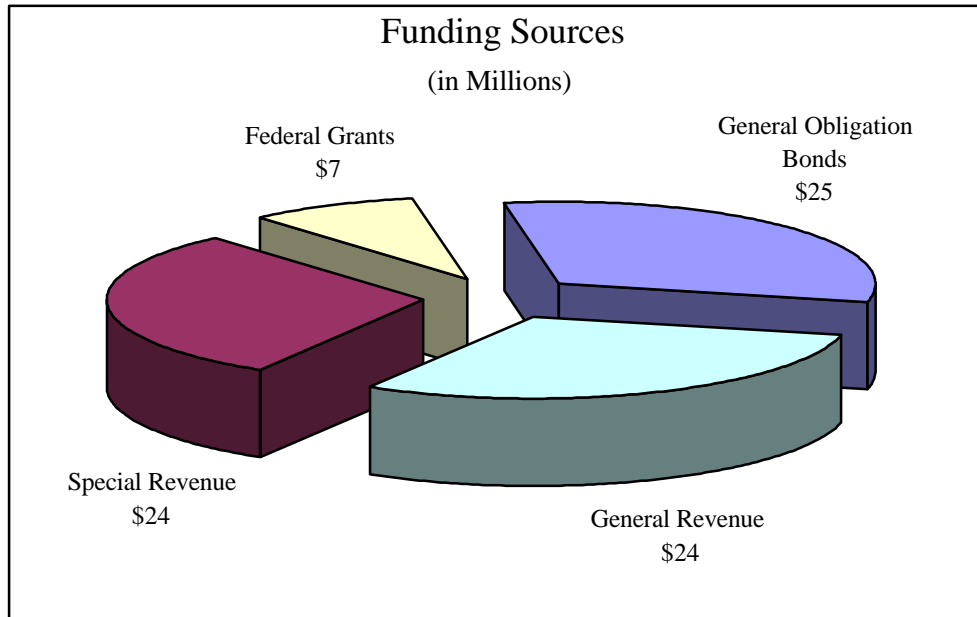
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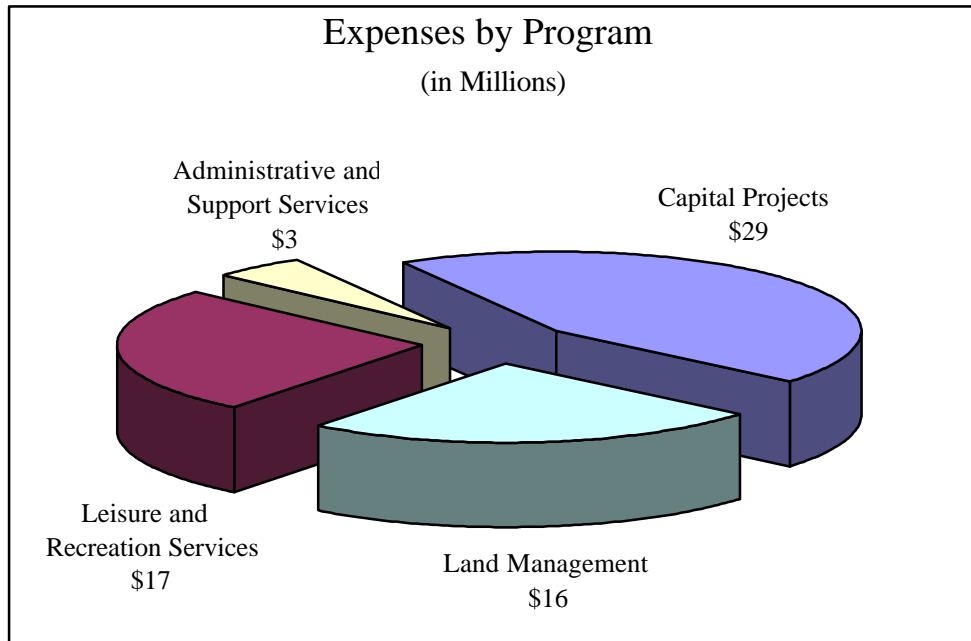
## AGENCY INFORMATION AND FINANCIAL HIGHLIGHTS

### **DEPARTMENT OF CONSERVATION AND RECREATION**

The Department of Conservation and Recreation's mission is to conserve, protect, enhance, and advocate the wise use of the Commonwealth's unique natural, historic, recreational, scenic, and cultural resources. Funding for fiscal year 1998 totaled more than \$80 million and consisted of general, special, and federal revenue, as well as general obligation bond proceeds. The following chart illustrates the funding for the year.



The following chart illustrates the expenses for the year.



The Department has seven divisions: State Parks, Soil and Water Conservation, Dam Safety, Natural Heritage, Planning and Recreation Resources, Administration, and Finance.

### **State Parks**

The Division of State Parks operates 28 state parks, 6 historic sites, and 21 natural areas and natural area preserves. Through interpretive and environmental education programs at state parks, staff provide information to visitors to help them learn to conserve and protect the environment. State Parks provide a myriad of outdoor recreational activities including camping, hiking, biking, horseback riding, boating, fishing, swimming, and rental cabins. In addition, some parks have visitor centers, conference facilities, and environmental education centers. Revenue comes from various sources including admission, parking, and swimming fees; cabin, campsite, picnic shelter, conference facility, and boat rentals; and food, beverage and merchandise retail sales. The parks also generate revenue from timber sales. Revenues totaled approximately \$5.7 million in fiscal year 1998.

### **Improve Strategic Planning for Automated Systems**

Over the last several years, the Department has striven to implement the Revenue Information Management System (RIMS) to record revenue at state parks. Management wanted to use point-of-sale cash registers, related equipment, and software so the system could interface with both the Department's and the Commonwealth's accounting systems.

The Department has experienced several setbacks with RIMS implementation since the project began in 1995. Most of the problems stemmed from inadequate strategic planning. Our review of the chain of events that have occurred since project initiation indicates that the Department took a reactive approach to problems. For example, the Department purchased \$140,180 worth of computer equipment for state parks before developing an adequate installation plan. Consequently, the equipment sat unused in storage for six months. Additionally, the Department did not plan for data back-up procedures until after the system crashed. This system failure resulted in the potential loss of fiscal year 1998 revenue data.

The Department contracted with a vendor to provide electronic point-of-sale cash registers, related equipment, and software so that the cash registers could integrate with the Department's accounting system. The vendor went out of business before the project's completion and did not fulfill the terms of the contract. The Department did not retain a percentage of the vendor's payments as a contingency against this breach of contract. Consequently, the Department entered into additional contracts with the software and hardware manufacturers to fulfill the terms of the original vendor. These contracts also provided extended maintenance and service for the registers.

The Department is addressing some of the issues mentioned above. For example, management has replaced the cash registers at all state parks and they are submitting revenue data to the central office. Additionally, the Department has implemented adequate data back-up procedures. However, RIMS is still functioning as a parallel system and does not interface with the Commonwealth's accounting system, thus not fulfilling the Department's original objective.

### **Recommendation #1**

The Department should develop adequate strategic plans before developing and implementing automated systems. With respect to RIMS, the Department should develop a plan, which includes coordination with each state park to ensure the maintenance of adequate internal controls and data integrity. The Department should work diligently to interface RIMS with the Commonwealth Accounting and Reporting System to increase overall operational efficiency.

#### **Improve Management of Revenue Contracts**

The Department contracts with private contractors (concessionaires) to operate facilities and provide services in state parks. These contracts typically address the operation of swimming areas, snack bars, equipment rentals, and retail sales. The Department does not adequately monitor these revenue contracts to ensure that all concessionaire payments are made timely for the correct amounts.

There is a lack of defined responsibilities between the Procurement Officer, State Park Managers, and the Division of State Parks' Enterprise Bureau. We found that none of the five contracts we tested contained adequate documentation supporting the timeliness and propriety of concessionaire's payments. Additionally, the Department does not properly monitor outstanding concessionaire's payments for expired or terminated contracts. Inadequate management of the Department's revenue contracts could result in concessionaires fraudulently reporting activities or misstating revenues.

### **Recommendation #2**

The Department should clearly define in writing the Procurement Officer's, State Park Managers', and the Enterprise Bureau's responsibilities with respect to monitoring revenue contracts to ensure that concessionaire's payments are proper and timely. Proper revenue contract management would help reduce the risk of fraud.

#### **Soil and Water Conservation**

The Division of Soil and Water Conservation is organized into four units: Director's Office, Nonpoint Source Programs, Chesapeake Bay Watershed, and Southern Rivers Watersheds.

The Director's Office manages the Division's fiscal resources, makes sure Division programs operate within the Department's management principles and policies, and provides administrative and financial management support to Virginia's 46 local soil and water conservation districts. The districts are political subdivisions of the Commonwealth that operate at the local county/city level to bring local, state, federal, and private resources together to protect and preserve natural resources and reduce nonpoint source pollution from agriculture and urban activities.

The Nonpoint Source Programs Section administers laws that seek to reduce nonpoint source pollution through the prevention of on-site erosion during construction and changes in land use due to development. Programs administered by the section include the Floodplain Program, which provides technical and administrative assistance to localities concerning flood problems and administers the National Flood Insurance Program; the Nutrient Management Program which aims to reduce nonpoint source pollution runoff of pesticides and fertilizers into waterways; and the Shoreline Program which provides technical assistance on shoreline erosion problems.

The Chesapeake Bay Watershed Section and the Southern Rivers Watersheds Section implement Division programs on a watershed basis. Local program delivery is aligned along major river basins. Regional technical staff housed in four regional offices work closely with local governments and organizations on planning and implementing programs on a watershed basis to improve the quality of Virginia's soil and water resources.

### **Dam Safety**

The Division of Dam Safety administers the Virginia Dam Safety Act in accordance with regulations promulgated by the Virginia Soil and Water Conservation Board. The Division conducts a certification program to monitor approximately 486 dams throughout the Commonwealth.

Legislation passed by the General Assembly during its 1999 session and signed by the Governor grants the Department of Conservation and Recreation the authority to cause the lowering or drainage of any dam determined to be unsafe. The legislation becomes law on July 1, 1999. The Department has begun determining how best to use this new enforcement power.

### **Natural Heritage**

The Division of Natural Heritage inventories the Commonwealth's threatened, rare and endangered plants, animals, and natural areas, and provides data for informed conservation and natural resource decisions. The inventory program is part of an international network of Natural Heritage programs and Conservation Data Centers spanning all 50 states, Canada, and 13 countries in Latin America. Natural Heritage maintains site-specific data on over 8,000 locations for Virginia's 1,650 rare species and natural communities.

Natural Heritage acquires land for natural areas with bond funds, donated funds, grants, and funds from the state income tax check-off system. State natural areas provide statutory protection against conversion to alternate uses.

The Virginia Registry of Natural Areas, a non-binding, non-regulatory program, recognizes property owners who act voluntarily to safeguard natural areas. Through the Stewardship Program, Natural Heritage conducts land management activities with landowners.

### **Planning and Recreation Resources**

The Division of Planning and Recreational Resources provides short and long-range planning for the development and use of Virginia's natural and recreational resources. The Division prepares the Virginia Outdoors Plan every five years. The Virginia Outdoors Plan is a

comprehensive outdoor recreation plan that provides guidance in acquiring, protecting, and developing recreational and open space resources at the local as well as the statewide level. The plan assesses current outdoor recreation areas and facilities, and determines what each needs and who is responsible for developing them.

The Division is developing the 2001 Virginia Outdoors Plan. The Division plans to complete an inventory of public and private outdoor recreational areas and facilities by June 1999. They will then assess the public's attitude towards open space and recreational opportunities, and provide data to clients by June 2000.

Over the last seven years, the primary source of funding projects approved by the Division of Planning and Recreation Resources has been the 1992 General Obligation Bonds. These bonds funded the acquisition of lands for state parks and natural areas, and improvement of existing facilities. As of March 1999, the Department has expended approximately 88 percent of the \$95.3 million in bond funding.

### **Administration**

The Administration Division provides executive management, human resources, information systems, procurement, and public information support to the Department.

### **Finance**

The Finance Division is responsible for payroll, grant accounting, petty cash, and finance reporting policies and procedures.

#### **Strengthen Controls over Petty Cash and Small Purchase Charge Cards**

The Department continues to have problems with the administration and use of petty cash and small purchase charge cards.

Each state park has a petty cash checking account and a change fund. Additionally, park managers, as well as other employees at each location, have small purchase charge cards with per-transaction and monthly transaction limits. We found that personnel were not following the Department's procedures.

1. We found the use of petty cash for purchases from vendors who accept the American Express (AMEX) Charge Card. Internal procedures limit the use of petty cash to only those vendors who do not accept AMEX.
2. Parks used petty cash to pay for conferences, training, and rental of a tour bus. These purchases did not meet both the State Controller and the Department criteria for petty cash usage.
3. Several petty cash payments individually ranging from \$225 to \$300 did not meet the Department's internal procedures that state "under no circumstances will a local purchase from any one vendor using petty cash exceed \$200 on any given day."



4. Parks could not locate receipts for some transactions and some reimbursements exceeded petty cash limits.
5. Parks also used the change funds to reimburse the petty cash checking account.

The Department has written procedures for the use of small purchase charge cards; however, staff are not following these procedures. For 25 percent of the cardholders tested, the Department did not maintain credit card agreements, which establish terms and conditions for use. Although the Department has limited the use of a small purchase charge card to the person whose name appears on the face of the card, 9 of 14 charges reviewed for one card had someone's authorization other than the cardholder. Additionally, cardholders must maintain a log of purchases and receipts; however, we noted several instances where this was not done.

### **Recommendation #3**

The Department should consistently apply petty cash and small purchase charge card procedures and ensure that staff properly keep documentation of transactions. The Department should ensure that state parks request petty cash checking account reimbursements timely. Further, the Department should maintain charge card agreements for all authorized users and prohibit the sharing of such cards among employees. The Department should require supervisory review of all purchases and that all cardholders reconcile purchases logs to receipts and charge card statements.

### **Y2K Compliance**

The Department has a plan to ensure its critical system, Integrated Decision Support System (IDSS), is Y2K compliant. The Department has completed the Assessment, Renovation, and Testing/Validation phases. The Department plans to complete the Implementation Phase by June 1, 1999.

The Revenue Information Management System (RIMS) is not Y2K compliant. The Department does not consider this system critical, as it is not currently part of the Department's official financial system. The Department plans to upgrade the system to a Y2K compliant version in September 1999.

## **THE FOUNDATIONS**

### **Virginia State Parks Foundation**

The Virginia State Parks Foundation assists the Department in conserving the state's parks and natural areas. The Foundation accepts gifts of money, securities, or other property designated for conserving and maintaining Virginia's parks and natural areas. The Department of Conservation and Recreation processes the Foundation's financial transactions and maintains the accounting records. The Department also prepares the Foundation's financial reports and board minutes.

During fiscal year 1998, the Foundation received \$68,992 in contributions and interest revenue and spent \$36,747 for various projects and events. Foundation investments total \$33,155 and are invested in the Local Government Investment Pool with the Treasurer of Virginia.

Our reviews of the Foundations resulted in the following findings pertaining to the State Parks Foundation.

**Properly Record and Report Financial Information**

- The Department's internal accounting records do not support donations as reported on the State Parks Foundation's financial statements. In the two months we tested, the Community Development Specialist's records of donations did not agree with the amounts deposited and recorded by the Division of Finance or with the Foundation's financial statements. Donations generally come from state parks to the Community Development Specialist, and then to the Division of Finance for deposit and recording.
- The Department does not properly reconcile the State Parks Foundation's check register to bank statements and resolve differences. In several instances, we found incorrectly posted transactions in the check register with neither a notation of a problem nor an adjustment resulting from the monthly or year-end reconciliations.
- The Department does not always pay the Foundation's obligations promptly. For one of six vouchers tested, payment was made four months after its scheduled due date.

**Chippokes Plantation Farm Foundation**

The Chippokes Plantation Farm Foundation plans, manages, and provides financial and material resources and technical assistance for the development, maintenance, and operation of the Chippokes Plantation Model Farm and the Agriculture and Forestry Center. The Farm and the Forestry are located at the Chippokes Plantation State Park in Surry County. The Department of Conservation and Recreation acts as a fiscal agent for the Foundation.

During fiscal year 1998, the Foundation received appropriations amounting to \$129,000 and \$48,307 in rental on land and buildings, donations, interest income, and admission receipts. The Foundation spent \$95,772 for museum operating expenses, administrative expenses, farm management, and other miscellaneous expenses.

**Virginia Outdoors Foundation**

The Virginia Outdoors Foundation promotes the preservation of open-space lands and encourages private gifts of money, securities, land or other property to preserve the natural, scenic, historic scientific, open-space, and recreational areas. The Foundation processes its financial transactions and maintains the related accounting records.

During fiscal year 1998, the Foundation received \$538,203 in appropriations, contributions, interest, and other miscellaneous income and spent \$367,408 for salaries and wages, and various projects. The Treasurer of Virginia maintains the Foundation's investment of \$1,734,587 in the Local Government Investment Pool.

**Virginia Conservation and Recreation Foundation**

The Virginia Conservation and Recreation Foundation purchases fee simple title to or other rights, interests, or privileges in property. These purchases allow the Foundation to protect

or preserve the ecological, cultural, or historical resources, lands for recreational purposes, state forest lands, and lands for threatened or endangered species, fish and wildlife habitat, natural areas, agricultural and forest lands, and open space. There was no financial activity related to this foundation for the fiscal year ended 1998.

**Recommendation #4**

The Department should maintain adequate financial records to properly report the Foundation's financial activity. This includes performing monthly and year-end reconciliations and ensuring that data is accurate and complete. Further, the Department should pay the Foundation obligations timely.